

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 0844-01
Bill No.: HJR 9
Subject: Bonds - General Obligation and Revenue; Constitutional Amendments
Type: Original
Date: March 28, 2011

Bill Summary: Proposes a constitutional amendment authorizing the General Assembly to issue bonds to fund higher education improvements.

FISCAL SUMMARY

| ESTIMATED NET EFFECT ON GENERAL REVENUE FUND | | | |
|---|---|---|------------------------------|
| FUND AFFECTED | FY 2012 | FY 2013 | FY 2014 |
| General Revenue | \$0 or (More than \$7,000,000) | \$0 or (More than \$7,000,000) | \$0 or (\$62,581,375) |
| | | | |
| Total Estimated Net Effect on General Revenue Fund | \$0 or (More than \$7,000,000) | \$0 or (More than \$7,000,000) | \$0 or (\$62,581,375) |

| ESTIMATED NET EFFECT ON OTHER STATE FUNDS | | | |
|---|------------|------------|----------------------------|
| FUND AFFECTED | FY 2012 | FY 2013 | FY 2014 |
| Fifth State Building Fund | \$0 | \$0 | \$0 or \$62,581,375 |
| | | | |
| Total Estimated Net Effect on <u>Other</u> State Funds | \$0 | \$0 | \$0 or \$62,581,375 |

Numbers within parentheses: () indicate costs or losses.
This fiscal note contains 8 pages.

| ESTIMATED NET EFFECT ON FEDERAL FUNDS | | | |
|---|----------------|----------------|----------------|
| FUND AFFECTED | FY 2012 | FY 2013 | FY 2014 |
| | | | |
| | | | |
| Total Estimated Net Effect on <u>All</u> Federal Funds | \$0 | \$0 | \$0 |

| ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE) | | | |
|---|----------------|----------------|----------------|
| FUND AFFECTED | FY 2012 | FY 2013 | FY 2014 |
| | | | |
| | | | |
| Total Estimated Net Effect on FTE | 0 | 0 | 0 |

☐ Estimated Total Net Effect on All funds expected to exceed \$100,000 savings or (cost).

☐ Estimated Net Effect on General Revenue Fund expected to exceed \$100,000 (cost).

| ESTIMATED NET EFFECT ON LOCAL FUNDS | | | |
|--|----------------|----------------|----------------|
| FUND AFFECTED | FY 2012 | FY 2013 | FY 2014 |
| Local Government | \$0 | \$0 | \$0 |

FISCAL ANALYSIS

ASSUMPTION

Officials at the **Office of the Secretary of State (SOS)** assume unless a special election is called for the purpose, Joint Resolutions are submitted to a vote of the people at the next general election. If a special election is called to submit a Joint Resolution to a vote of the people, section 115.063.2 RSMo requires the state to pay the costs. Article III section 52(b) of the Missouri Constitution authorizes the general assembly to order a special election for measures referred to the people and Article XII section 2(b) authorizes the governor to call a special election to submit constitutional amendments to a vote of the people.

The SOS is required to pay for publishing in local newspapers the full text of each statewide ballot measure as directed by Article I, Section 26, 27, 28 of the Missouri Constitution and Section 116.230-116.290, RSMo. The Secretary of State's office is provided with core funding to handle a certain amount of normal activity resulting from each year's legislative session. Funding for this item is adjusted each year depending upon the election cycle with \$1.3 million historically appropriated in odd numbered fiscal years and \$100,000 appropriated in even numbered fiscal years to meet these requirements. The appropriation has historically been an estimated appropriation because the final cost is dependent upon the number of ballot measures approved by the General Assembly and the initiative petitions certified for the ballot. In FY 2011, at the August and November elections, there were 6 statewide Constitutional Amendments or ballot propositions that cost \$1.02 million to publish (an average of \$170,000 per issue). Therefore, the Secretary of State's office assumes, for the purposes of this fiscal note, that it should have the full appropriation authority it needs to meet the publishing requirements. However, because these requirements are mandatory, we reserve the right to request funding to meet the cost of our publishing requirements if the Governor and the General Assembly change the amount or eliminate the estimated nature of our appropriation.

Oversight has reflected in this fiscal note, the state potentially reimbursing local political subdivisions the cost of having this joint resolution voted on during a special election in fiscal year 2012. This reflects the decision made by the Joint Committee on Legislative Research, that the cost of the elections should be shown in the fiscal note. The next scheduled general election is in February 2012 (FY 2012). It is assumed the subject within this proposal could be on that ballot; however, it could also be on a special election called for by the Governor. Therefore, Oversight will reflect a potential election cost reimbursement to local political subdivisions in FY 2012.

To estimate the expense the state would incur for reimbursing local political subdivisions for a special election, Oversight requested expense estimates from all election authorities for an

ASSUMPTION (continued)

election. Eighty-six out of the one hundred fifteen election authorities responded to Oversight's request. From these respondents; the total election expense that would have to be reimbursed by the state government is over \$7 million. Therefore, Oversight will reflect a potential cost borne by the state in FY 2012 of over \$7 million for reimbursement to the local political subdivisions. Oversight assumes the Governor could call for a special election to be held prior to November 2012 regarding this joint resolution; however, if a special election is not called, the subject will be voted on at the general election in November, 2012.

Officials from the **State Treasurer's Office, Department of Revenue, Governor's Office, Missouri Senate, Missouri House of Representatives, Department of Higher Education, East Central College, University of Central Missouri, Missouri State University, Missouri Southern State University, Northwest Missouri State University, St. Louis Community College** and **Missouri Western** assume there will be no fiscal impact to their agency.

Officials from the **Division of Budget & Planning** assume the proposal should not result in additional costs or savings to the Division of Budget and Planning. Budget and Planning defers to the Division of Accounting for fiscal impact.

Officials from **Moberly Area Community College** assume this proposal would have no negative impact on Moberly Area Community College. It may potentially have a significant positive impact on the College. The amount cannot be determined.

Officials from **Lincoln University** assume revenues from this proposal would likely exceed beyond FY 2014. Revenues from this proposal can be significant, not only for higher education institutions, but for economic development for many sections of the job force, i.e. architects, engineers and other professional consulting firms, contractors, suppliers, and other peripheral companies related to the construction industry.

Savings also may be realized from decreased deferred maintenance. Depending on the construction projects approved, renovations, rehabilitations, and maintenance projects may provide cost savings in utilities with energy efficiency projects and materials and labor associated with taking care of old infrastructure and inefficient facilities.

Officials from **Linn State Technical College** assume there is an unknown fiscal impact.

Officials from **Metropolitan Community College** assume approximately \$30 million in funding, and save approximately \$2.5 million per year for 20 years in bond payments if the college were forced to issue bonds in that amount.

ASSUMPTION (continued)

Officials from the **Office of Administration - Division of Accounting** assume this proposal initiates the general revenue transfer to the appropriate debt service fund. Reconciles all paying agent transactions for principal and interest. Monitors all fees due to the paying agent. Approximately \$36,304 in salaries/benefits would be absorbed by current staff for each bond issue.

They are assuming passage of this proposal and issuance of bonds in the spring of FY 2012. Their assumptions include: \$800,000,000 issuance amount, for 25 years, and 6% interest rate. The amount for FY 2012 includes \$150,000 one time cost of issuance fees. The first transfer from the General Revenue fund to the debt service fund would take place in FY 2012 for payments in FY 2013.

Passage of the proposal and issuance of bonds in FY 2013

| | |
|-------------------|---------------|
| Principal Issued: | \$800,000,000 |
| Interest Rate | 6% |
| Number of Years: | 25 |

FY 2012 Costs:

GR transfer to debt service fund for FY 2013 principal and interest: \$62,581,375

One time Cost of Issuance Fees: \$150,000

FY 2013 Costs:

GR transfer to debt service fund for FY 2014 principal and interest: \$62,581,375

Annual issuance fees: \$2,000

FY 2014 Costs:

GR transfer to debt service fund for FY 2015 principal and interest: \$62,581,375

Annual issuance fees: \$2,000

Oversight assumes the above could only happen if a special election occurs and the voters approve the authorization to issue the bonds. If this does not occur the election would not occur until November 2012, FY 2013.

Oversight assumes if the election is approved at the next general election in November 2012, FY 2013, the general revenue transfer would occur in FY 2014. The FY 2014 general revenue transfer to the debt service fund for principal and interest would be \$62,581,375.

| <u>FISCAL IMPACT - State Government</u> | FY 2012 (10 Mo.) | FY 2013 | FY 2014 |
|---|--|--|---|
| GENERAL REVENUE | | | |
| <u>Expense</u> - reimbursement of local political subdivisions for special election costs | \$0 or (More than \$7,000,000) | \$0 or (More than \$7,000,000) | \$0 |
| <u>Cost</u> - transfer to Fifth State Building Fund | <u>\$0</u> | <u>\$0</u> | \$0 or (\$62,581,375) |
| ESTIMATED NET EFFECT TO THE GENERAL REVENUE FUND | <u>\$0 or (More than \$7,000,000)</u> | <u>\$0 or (More than \$7,000,000)</u> | <u>\$0 or (\$62,581,375)</u> |
| FIFTH STATE BUILDING FUND | | | |
| <u>Revenue</u> - issuance of bonds to fund higher education improvements | <u>\$0</u> | <u>\$0</u> | \$0 or \$62,581,375 |
| ESTIMATED NET EFFECT ON FIFTH STATE BUILDING FUND | <u>\$0</u> | <u>\$0</u> | <u>\$0 or \$62,581,375</u> |
| <u>FISCAL IMPACT - Local Government</u> | FY 2012 (10 Mo.) | FY 2013 | FY 2014 |
| LOCAL POLITICAL SUBDIVISIONS | | | |
| <u>Income</u> - cost reimbursement from the State for special election | \$0 or More than \$7,000,000 | \$0 or More than \$7,000,000 | \$0 |
| <u>Expense</u> - cost for special election | \$0 or (More than \$7,000,000) | <u>\$0 or (More than \$7,000,000)</u> | <u>\$0</u> |
| ESTIMATED NET EFFECT TO LOCAL POLITICAL SUBDIVISIONS | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> |

FISCAL IMPACT - Small Business

No direct fiscal impact to small businesses would be expected as a result of this proposal.

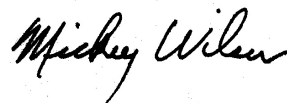
FISCAL DESCRIPTION

Upon voter approval, this proposed constitutional amendment authorizes the General Assembly to issue bonds to fund higher education improvements.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Office of the Secretary of State
State Treasurer's Office
Department of Revenue
Governor's Office
Missouri Senate
Missouri House of Representatives
Department of Higher Education
East Central College
University of Central Missouri
Missouri State University
Missouri Southern State University
Missouri Western State University
Northwest Missouri State University
Office of Administration -
 Division of Budget & Planning
 Division of Accounting
Moberly Area Community College
Lincoln University
St. Louis Community College
Linn State Technical College
Metropolitan Community College



L.R. No. 0844-01
Bill No. HJR 9
Page 8 of 8
March 28, 2011

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March 28, 2011